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| STANDARD &POOR'S | RATINGS DIRECT |
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Research:

Summary: Bangor, ME; Tax Secured, General Obligation

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Credit Profile

US\$9.227 mil GO bnds ser 2004 dtd 06/01/2004 due 11/01/2004-2023

AA-

Sale date: 25-MAY-2004

AFFIRMED

\$5.816 mil. Bangor
AA-

\$1.020 mil. Bangor GO (MBIA)
AAA/AA-(SPUR)

\$34.030 mil. Bangor GO pension oblig bnds ser 2002B dtd 03/01/2002 due 06/01/2003-2013 2026
AAA/AA-(SPUR)

OUTLOOK:

STABLE

Rationale

The 'AA-' rating on Bangor, Maine's 2004 GO bonds reflects the city's:

- Position as the hub of economic activity for the northern and eastern portions of Maine;
- Continued sound and stable financial position coupled with strong financial policies and management;
- Below-average wealth levels; and
- A moderate overall debt burden with modest future borrowing needs.

The city will use the bond proceeds to finance \$3.757 million of the Bangor Area Comprehensive Transportation System and vehicle replacement project costs, and the first \$3 million out of \$7 million for a new police station. The city expects to issue the remaining \$4 million portion of the authorized debt for the new police station by 2005. The city will use the remainder of the bond proceeds of \$5.47 million to refund its outstanding 1994 bonds.

Bangor, the third-largest city in Maine, with a population of 31,473, is 140 miles northeast of Portland. The city is the employment and commercial center of an 11-community area. It is served by five exits on Interstate 95, numerous state routes, and Bangor International Airport. Wealth, as indicated by median household effective buying income, was below average in 2001, at 13% below the state average and 27% below the national average. Although wealth indicators are below average, retail sales are substantially above average at 328% of the U.S. average.

The downtown area of Bangor, four malls, Eastern Maine Medical Center, three other hospitals, several colleges, and the University of Maine in neighboring Orono are the commercial and cultural centers for eight counties in eastern and northern Maine. This area includes one third of the population of the state. The city's diverse tax base has grown to \$1.74 billion in fiscal 2004, exhibiting slow, but steady, growth, and is above average on a per capita basis at over \$55,000. The current unemployment rate has increased slightly, but remains below the state and nation at 3.9%.

Through consistent and prudent budgeting practices, the city has had budget surpluses in each of the past 10 out of 11 years closing fiscal 2003 in a slight operating deficit of \$350,000. This drawdown of the fund balance was a planned one: the city used its reserves for various capital projects. Despite the decline in reserves, the undesignated and unreserved balance remains strong exceeding the city's formal policy. The city's charter requires maintaining the undesignated and unreserved fund balance between 5% and 10% of the prior year's expenditures, which totaled 11.3% at fiscal year-end 2003. The fiscal year-end 2003 total general fund balance was a strong 21.1% of operating expenditures. The city's general fund continues to subsidize the parking garage fund, but this subsidy has decreased over the past several years and the city expects it to decrease again by approximately \$100,000 in fiscal 2005. The city expects to close out fiscal 2004 in an operating surplus with such revenues as excise taxes exceeding budgeted expectations by between \$500,000 and \$600,000. This operating surplus will increase the undesignated and unreserved fund balance. The city is currently in the budget process for fiscal 2005 with expectations of no major changes or additions to the budget.

Bangor's total direct and overlapping debt per capita is moderate at \$1,834, with the debt-to-market value also moderate at 3.3%. The debt-service carrying charge is low at 2% of operating expenditures, and amortization is appropriate. The city's five-year capital improvement plan totals \$89 million covering fiscal years 2004 through 2009, of which about \$40 million will be financed by revenue and GO bonds.

Outlook

The stable outlook reflects Standard & Poor's Ratings Services' expectation of the city's continued status as a regional economic engine and retail center, and its maintenance of historically solid fiscal and debt profiles.

